

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 USIA-06 AID-05 NSC-05 SS-15 CEA-01 /073 R

DRAFTED BY EB/FTD:SFOUTS:CSH

APPROVED BY EB/FTD:CANGEVINE

ARA/MEX:GFALK

ARA/ECP:ABERRY

LABOR:ESWEENEY

COMMERCE:EGOTTFRIED

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R 131720Z APR 76

FM SECSTATE WASHDC

TO AMEMBASSY MEXICO CITY

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E.O. 11652: N/A

TAGS: ETRD, MX

SUBJECT: BILATERAL TEXTILE AGREEMENT

REF: (A) MEXICO 3738 (B) STATE 52266

1. EMBASSY'S REPORT REF A) OF GOM ATTITUDE CONCERNING
FEBRUARY BILATERAL TEXTILE CONSULTATIONS SOMEWHAT SURPRISING
AND DISCOURAGING IN LIGHT OF FULL, FRANK DISCUSSION OF
BILATERAL TEXTILE RELATIONSHIP CONDUCTED DURING CONSULTATIONS

2. DEPT IS AWARE THAT GOM DID NOT FEEL 201/202 QUESTION
WAS SETTLED DURING CONSULTATIONS, AND THAT IT MIGHT WELL
WISH TO DISCUSS ISSUE FURTHER AT A LATER DATE. HOWEVER,
WE FEEL U.S. POSITION ON ISSUE WAS CLEARLY EXPRESSED AND
THAT GOM HAS NO BASIS TO ANTICIPATE NEW USG PROPOSAL ON
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PRINCIPLE OF INCLUSION OF 201/202 UNDER MFA. USG POSITION
THAT THESE YARNS ARE INCLUDED UNDER MFA HAS BEEN ESTABLISHED

AND ACCEPTED IN INTERNATIONAL FORA, AND USG NEITHER WILLING NOR ABLE TO ABROGATE THIS POSITION IN CONTEXT OF BILATERAL AGREEMENT.

3. IN ADDITION TO GALINDO'S COMMENTS REPORTED REF A, ECONOMIC MINISTER SAENZ OF MEXICAN EMBASSY HAS ON TWO OCCASIONS SINCE CONSULTATIONS RAISED ISSUE OF 201/202 WITH DEPARTMENT, INDICATING THAT MEXICO MIGHT TAKE THE ISSUE TO THE TSB. DEPARTMENT REITERATED U.S. POSITION AS OUTLINED ABOVE TO SAENZ. OUR POSITION ON THIS PRINCIPLE IS FIRM, AND GOM SHOULD BE AWARE THAT WE ARE PREPARED TO DEFEND IT IF NECESSARY IN AN APPROPRIATE INTERNATIONAL FORUM.

4. NOTWITHSTANDING THE ABOVE, USG REMAINS WILLING TO DISCUSS 201/202 WITH GOM AGAIN AS LONG AS DISCUSSIONS TAKE PLACE WITH UNDERSTANDING THAT U.S. WILL CONTINUE TO MAINTAIN THAT 201/202 ARE SUBJECT TO THE MFA AND THE BILATERAL AGREEMENT. U.S. WOULD REGARD DISCUSSIONS AS EFFORT TO REACH MUTUALLY ACCEPTABLE HANDLING OF ISSUE IN BILATERAL CONTEXT AND WITH BENEFITS FOR BOTH COUNTRIES. U.S. PUT FORWARD PROPOSAL DURING FEBRUARY CONSULTATIONS FOR MAJOR RESTRUCTURING OF AGREEMENT, AND IS PREPARED TO MAKE BROAD EXPLORATION OF OTHER POSSIBLE CHANGES ON BASIS OF QUID PRO QUO. U.S. WOULD HAVE NO OBJECTION PROVIDED GOM IS AWARE OF CONSTRAINTS ON U.S. POSITION.

5. FYI U.S. FLEXIBILITY IN REGARD TO MEXICO AGREEMENT SEVERELY LIMITED BY STRONG INDUSTRY UNHAPPINESS WITH "BACK END LOADING" (LARGER INCREASES IN 2ND AND 3RD AGREEMENT YEARS) IN MEXICAN AGREEMENT. INDUSTRY STRONGLY OPPOSES ANY CONCESSIONS TO MEXICO WITHOUT COMPENSATING ADJUSTMENTS, IDEALLY IN UNDOING SOME OF "BACK END LOADING".
END FYI

6. RE POINTS RAISED PARAS 2 AND 3 REF A: EXISTENCE OF BORDER INDUSTRY OPERATIONS TAKEN INTO ACCOUNT DURING NEGOTIATION OF AGREEMENT. GOM IS AWARE THAT ADMINISTRATION OF AGREEMENT DOES NOT PROVIDE FOR DIFFERENTIAL TREATMENT OF ASSEMBLY INDUSTRY VS. NON-ASSEMBLY PRODUCTION OR FOR LIMITED OFFICIAL USE
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PRODUCTION OF U.S. OWNED VS. MEXICAN OWNED FIRMS. BILATERAL AGREEMENT ESTABLISHES GOM OBLIGATION TO CONTROL EXPORTS OF ALL TEXTILES AND TEXTILE PRODUCTS FROM MEXICO TO THE U.S. ALLOCATION OF QUOTA IS AN INTERNAL GOM DECISION.

7. RE POINTS RAISED PARA 6 REF A: HEAD U.S. DEL DISMAYED TO LEARN OF ALLEGED LEAKS ON PART OF U.S. INDUSTRY ADVISORS AND HAS PERSONALLY SPOKEN TO INVOLVED GOVERNMENTAL AND NON-GOVERNMENTAL PERSONNEL TO REMIND THEM OF

IMPORTANCE OF CONFIDENTIALITY IN TEXTILE NEGOTIATIONS.
U.S. HAS ALWAYS BELIEVED IN IMPORTANCE OF CONFIDENTIALITY
IN TEXTILE NEGOTIATIONS AND DOES NOT RELEASE DETAILS OF
NEGOTIATIONS UNTIL EXCHANGE OF DIPLOMATIC NOTES IS
COMPLETED. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TEXTILES, AGREEMENTS, NEGOTIATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 13 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE088843
Document Source: CORE
Document Unique ID: 00
Drafter: SFOUTS:CSH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760140-0926
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760466/aaaaceam.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 MEXICO 3738, 76 STATE 52266
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by coburnhl>; APPROVED <29 OCT 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BILATERAL TEXTILE AGREEMENT
TAGS: ETRD, MX, US
To: MEXICO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006